



HOUSING AND URBAN DEVELOPMENT CORPORATION LIMITED

CIN: L74899DL1970GOI005276

DIVIDEND DISTRIBUTION POLICY

As per Regulation 43A of the SEBI (Listing Obligations and Disclosure
Requirements) Regulations, 2015

(As approved by Board of the Company in its 595th meeting held on 30th May, 2018)



I. BACKGROUND

Securities Exchange Board of India (SEBI) vide its notification dated 8th July, 2016 has inserted Regulation 43A in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (second amendment) which requires top five hundred listed entities based on market capitalization (calculated as on 31st March of every year) to formulate a dividend distribution policy to be disclosed in its Annual Report and on its website. The Regulation further provides that the dividend distribution policy shall include the following parameters:

- a) The circumstances under which the shareholders of the listed entities may or may not expect dividend;
- b) The financial parameters that shall be considered while declaring dividend;
- c) Internal and external factors that shall be considered for declaration of dividend;
- d) Policy as to how the retained earnings shall be utilized; and
- e) Parameters that shall be adopted with regard to various classes of shares.

The Regulation also provides that if the listed entity proposes to declare dividend on the basis of parameters in addition to clauses (a) to (e) above or proposes to change such additional parameters or the dividend distribution policy contained in any of the parameters, it shall disclose such changes along with the rationale for the same in its Annual Report and on its website. The listed entities other than top 500 listed entities based on market capitalization may disclose their dividend distribution policy on a voluntary basis in their annual reports and on their website.

The equity shares of Housing and Urban Development Corporation Limited (HUDCO) got listed on National Stock Exchange of India Limited (NSE) and BSE Ltd. on 19th May, 2017. The Company has framed the Dividend Distribution Policy in compliance of Regulation 43A of SEBI (LODR) Regulations, 2015.

II. OBJECTIVE

The objective of this Policy is to enhance the value of the Company and its shareholders through regular dividend payout after balancing the requirement of immediate payout from profits, future growth plans and sustenance.

III. POLICY FRAMEWORK

The Policy has been formulated in line with the provisions of the Companies Act, 2013, Regulations issued by SEBI, Guidelines on Capital Restructuring of Central Public-Sector Enterprises issued by Department of Investment and Public Asset Management (DIPAM),



Guidelines issued by Ministry of Finance/ Ministry of Corporate Affairs and other guidelines, to the extent applicable on the Company. Any subsequent amendments in these provisions would, ipso-facto, apply to this Policy. The Policy is not an alternative to the decision taken by the Board regarding declaration/ recommendation of dividend after considering the various relevant factors.

IV. DIVIDEND

The Company may declare dividend/ interim dividend to its shareholders out of the profits arrived at in accordance with the provisions as contained in the Companies Act, 2013 and with rules made thereunder.

The Board of Directors of the Company may declare interim dividend during the financial year. The Company may declare final dividend, only once in a financial year, after preparation of Annual Financial Statements in the Annual General Meeting. In case no final dividend is declared by the Company, the interim dividend, if any, paid during the year, shall be considered as final dividend in the Annual General Meeting.

V. Circumstances under which the shareholders of the Company may or may not expect dividend

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders of the Company and the amount of profit to be retained in business. The decision seeks to balance the dual objectives of appropriately rewarding shareholders through dividends and retaining profits in order to maintain a healthy capital adequacy ratio to support future growth.

The Company has been consistently paying out dividends to its shareholders and can be reasonably expected to continue declaring in future as well, unless the Company is restrained to declare dividends due to insufficient profits or non- availability of sufficient capital to meet the minimum capital requirements or any internal or external factors.

VI. Internal and External Factors/ Financial Parameters to be considered by the Board for recommending/ declaring dividend

a) Internal Factors

(i) Profit Earned during the year:

As per Section 123 of the Companies Act, 2013, no dividend shall be declared or paid by a company for any financial year except out of the profits of the company for that year or out of profits of the company for any previous financial year/years arrived at after providing for depreciation in accordance with the provisions of the Act.





(ii) **Capital to Risk-weighted Assets Ratio:**

HUDCO, being a Housing Finance Company, is required to maintain a CRAR at a certain level as per applicable guidelines issued by National Housing Bank. Accordingly, the expected figure for CRAR is also taken into consideration while declaring dividend so that it does not breach the prescribed figure.

(iii) **Net Worth of the Company:**

As per the extant guidelines issued by DIPAM, Govt. of India, every CPSE would pay a minimum annual dividend of 30% of PAT or 5% of the net-worth, whichever is higher subject to the maximum dividend permissible under the extant legal provisions, being a Govt. Company, also required to comply with these guidelines or any subsequent modification thereto as may be issued from time to time.

HUDCO had sought exemption for payment of dividend, as per available distributable profits in place of prescribed norms stated in OM dated 27.05.2016 issued by Ministry of Finance. DIPAM vide its OM No. 5/4/2016- Policy dated 13th January, 2017 has conveyed that empowered Committee on Management of Government Investment in CPSEs in its meeting held on 09.01.2017 under the Chairmanship of Secretary, DIPAM, had observed that "Keeping in view the requirement to meet the statutory deductions out of the profit earned by the company, the Committee noted that no exemption may be required by the company under the guidelines.

Apart from the above, the Company may also consider various other financial parameters, which may inter alia include:

- 1) Net profit earned by the Company during the financial year;
- 2) Existing borrowings, capacity to further borrow and cost of borrowings;
- 3) Tax on profits including dividend tax rate and outgo;
- 4) Transfer to Statutory/ other Reserves and provisions created for meeting future liabilities;
- 5) Any other parameter, as the Board may consider fit.

b) External Factors

(i) **Economic Environment:**

In case of uncertain or recessionary economic and business conditions, the Company may retain part of its profits to build up reserves to meet these uncertainties/ recessionary trends in the economy.

(ii) **Market Conditions/ Government Policies:**





Market conditions with respect to availability of funds and its lending, cost of funds, Govt. monetary policies are the factors, which are to be considered while recommending dividend.

(iii) **Statutory Provisions and Guidelines:**

The Company will keep in mind the restrictions imposed by the Companies Act with regard to declaration of dividend. Further HUDCO, being a Government Company, it shall also consider the guidelines in force in respect of dividend declaration as issued by the Department of Investment and Public Asset Management (DIPAM) or by any other government authorities from time to time.

Any other factor as may be considered fit by the Board.

VII. Utilization of Retained Earnings

The retained earnings shall be utilized in line with the objects of the Company as mentioned in the Memorandum of Association of the Company, thus contributing to the growth of the business and operations of the Company.

VIII. Parameters to be adopted with regard to various classes of shares

The Policy would provide the guiding principle for the Board for recommending dividend, which is made every year after taking into consideration all the relevant circumstances enumerated above or other factors as may be decided as relevant by the Board. However, declaration of dividend on the basis of parameters in addition to the elements of this Policy or resulting in amendment of any element of the Policy, in the interest of the Company, will be disclosed in the Annual Report as well as on the website of the Company.

HUDCO has presently only one class of shares, i.e., equity shares. As and when it proposes to issue any other class of shares, the Policy shall be modified accordingly.

IX. Modifications/ Amendments

The Chairman & Managing Director is authorized to make such alterations to this Policy as considered appropriate, subject, however, to the condition that such alterations shall be in consonance with the provisions of the Regulation and other applicable laws.

